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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS THIRTY-SEVENTH SESSION

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from 11 to .. March 1991

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Chapter I

GENERAL STATEMENTS
(continued)

67. The representative of Switzerland said that UNCTAD VII and the launching of the Uruguay Round had been turning points in the history of international trade policy. The end of the 1980s had seen UNCTAD embarking upon a more concrete dialogue, the renewed commitment of a large number of developing countries on the international scene and in respect of internal liberalization, and liberalization in Central and Eastern Europe. In response, the industrialized countries must further improve access to their markets, in particular through the Uruguay Round.

68. Although the Uruguay Round was not completed, a final outcome was within reach. A trade truce was widely in evidence, as reflected in the limited use of unilateral protectionist measures and the standstill in the number of NTMs affecting developing country exports in particular. Of course, all countries must contribute within their possibilities, to establishing a predictable multilateral framework for the further expansion of trade.

69. The MTN results obtained at Montreal and subsequently had led to a certain liberalization of trade, for example in tropical products. In that connection, it was surprising for the UNCTAD secretariat to treat multilateral progress of this sort as a threat for some developing countries because of the erosion of preferential margins. MFN concessions were of much greater value than the illusory security provided by autonomous and non-reciprocal preferences, and in fact in GATT developing countries almost always asked his country for MFN concessions, not GSP concessions. Of course, Switzerland had no intention of reducing the scope of its tariff preference scheme.

70. One issue of great concern was the increasing marginalization of the poorest developing countries, particularly in Africa, as a result of the lesser growth of the commodities sector and deteriorating terms of trade. The solutions to the problem must include diversification, technical and financial assistance, and trade policy initiatives. His country would be ready to help developing countries in terms of both market access, especially for tropical products, and involvement in new areas such as services and TRIPs.

71. With regard to UNCTAD VIII, it was hoped that the venue and dates would be determined at the Board's current session, since the uncertainty that existed at present could affect UNCTAD's credibility. UNCTAD VIII should consolidate the gains of UNCTAD VII, in particular concerning the common

perception of trade and development problems and the question of interdependence. Attention should be concentrated not on sectoral or institutional issues but on the links between those issues and on the balance between, for example, national policies and the international environment or the role of the State and that of the private sector. The concept of joint responsibility established at UNCTAD VII should be developed into a veritable partnership in trade and development policy.

72. The representative of Uruguay said that the end of the 1980s had marked the beginning of a new and auspicious era in international relations. The dismantling of ideological frontiers had allowed political consensuses, unthinkable only a short time previously, to be reached within the United Nations while the re-establishment of the State based on law and democratic institutions in many parts of the world, including Latin America, had gathered momentum. Nevertheless, the recent hostilities in the Persian Gulf demonstrated the very great fragility of the current situation. The disappointing set-back of the Brussels negotiations proved that acute tensions persisted in international trade and had prevented the reform of the international trading system. Coexistence in a framework of juridical stability under a strengthened United Nations system was the only way to realize the objectives of the San Francisco Charter.

73. It was also necessary to lay down a more just and equitable basis for international economic relations. Prosperous developed States coexisted with others whose history had led to poverty, malnutrition and the other ills of underdevelopment.

74. What form could a new era in international economic relations take if protectionism continued to prevent the export of developing countries' products to the markets of the world's richest countries? The developing countries aimed to form part of an interdependent world which would allow them access to developed country markets, scientific knowledge and technology. The developed countries should understand that it was to their advantage to have the developing countries as reliable partners in terms of mutual benefit.

75. Correction of the imbalances among nations required a joint effort by all States and no opportunity for dialogue should be overlooked.

76. Reviewing the items of the current agenda, he said that UNCTAD VIII would take place against a background of changes in international relations and should be exploited to achieve compromise solutions to the major issues on its agenda. Delegations should work to that end through pragmatism and the

avoidance of rhetorical dogmatism. Only concrete and specific solutions would allow the results of UNCTAD VIII to be regarded as successful. To achieve such solutions, the work of UNCTAD VIII should be focused from the outset on specific areas requiring solutions. The Group of 77 itself should make every effort in this task to submit concrete proposals.

77. UNCTAD continued to be a forum peculiarly qualified to bring an interdependent perspective to bear on problems of trade, money and finance and development. If the organization was to be strengthened, there must be an examination of its role in a world whose dimensions and realities had changed since UNCTAD was founded. The 1990s would present the organization with a challenge to adapt itself to changing realities. This was also a task to be taken up at UNCTAD VIII.

78. The international community was at a historic moment when it must reaffirm its commitment to multilateralism, reinforcing and confirming the auspicious changes which were enhancing relations among States. It was Uruguay's strongest desire that this new era would awaken a renewed sense of solidarity which would strengthen international co-operation.

79. The spokesman for the Group of 77 (Jordan), referring to the issue of "corruption" which Group B had sought to link to the issues of "good governance" and "good management", recalled that his Group had already indicated at the time of the adoption of the agenda for UNCTAD VIII that it did not agree with Group B's interpretation of the term "good management". He therefore wished to re-state his Group's position, which was:

(a) "Corruption", whether in developed or developing countries, was neither on the agenda of UNCTAD VIII nor part of UNCTAD VIII's mandate. Hence, a unilateral attempt to bring it into the development dialogue in UNCTAD was not acceptable to the Group of 77.

(b) Dealing with the extent and problem of domestic corruption in developed and developing countries was a matter for the crime prevention authorities in these countries and could not be a subject for multilateral dialogue or negotiations on development co-operation.

(c) To the extent that this subject had an international dimension, it should and was being dealt with in the context of the Committee on Crime Prevention in Vienna and the International Narcotics Commission and maybe in the context of the Code of Conduct for Transnational Corporations.

(d) UNCTAD's basic mandate, as defined in General Assembly resolution 1995 (XIX) was to promote accelerated economic growth, trade and development, especially of developing countries. Development was by definition a comprehensive concept but was also a positive one.

(e) It was the sincere belief of the Group of 77 that any discussion in UNCTAD on corruption in developed and developing countries would not only vitiate the atmosphere but would degenerate into mutual recrimination which would destroy, not build, the spirit of co-operation and realization of interdependence which it was first and foremost the role of UNCTAD to foster.

(f) Suggestions for treating "corruption" as an issue in the development dialogue raised serious concern about the intentions of his Group's dialogue partners. Was there an attempt to divert attention from the traditional agenda of the dialogue or from their own responsibilities towards the development of developing countries?

(g) The South Commission report had been quoted to justify a discussion in UNCTAD on "corruption". The reference to corruption in the report was in the context of the South's own introspection into problems it faced and its sovereign will and determination to cope with these problems, such as corruption. It was not a matter or a subject for a North-South dialogue. If, indeed, Group B attached importance to the South Commission and its recommendations, it should turn to the section on North-South issues where the South Commission identified a number of important policies, measures and strategies aimed at accelerating the development of developing countries. His Group expected its development partners to take those up and respond positively to them, especially to the six-point Global Programme of Immediate Action, and to the suggestions for the reform of international institutions.

80. The representative of the United Republic of Tanzania felt that it would be a severe set-back to the process of developing a meaningful consensus if the arguments and analysis put forward by the various spokesmen for the Group of 77 fell on deaf ears. A positive contribution in concrete terms by the Board towards meeting current challenges would serve to underline the Board's relevance. If issues of market access and development were treated as of little concern to policy-makers of industrialized countries a corresponding signal would be received by the developing countries. The question facing the latter was not whether but how to use their individual and collective capability, in the face of increasingly narrowing options.

81. The Secretary-General's underlining of interrelationship between trade, investment, technology and services was timely. His reference to economic security being an integral component of common global security, could only be understood to mean that security was indivisible. Without economic security there would not be security as such anywhere. High-tech militarization, or coercion by using trade and technological leverage could only be counter-productive.

82. In the final event it was the prices of essential hardware and input that carried the cost of militarization and of the research and developed effort behind it. Conflicts such as Viet Nam or the Gulf extracted a heavy price from the developing countries in other ways, including drying up capital and resources for assisting development efforts.

83. His delegation could only regret that the Group B statement, representing countries accounting for nearly 80 per cent of global trade and consumption, had failed to address the many burning issues voiced by the spokesmen of the Group of 77. His delegation was not sure if Group B had completely weighed up the implications of its suggestion to include corruption in the agenda for UNCTAD VIII.

84. Wholly endorsing the South Commission report's statement under the heading "Corruption", his delegation believed that, as long as there were rich and poor in a society, there would be strong incentives to take short cuts. But it rejected categorically the suggestion that corruption in the South be put on the UNCTAD VIII agenda. If corruption was to be placed on the international agenda, let those so manifestly concerned by the international spread of this poison bring a resolution before the General Assembly calling for the appointment of a commission of international jurists to study in depth the nature and magnitude of corruption globally and properly defined, of the causes of such corruption, and the remedies they proposed, taking into account the level of development of and administrative equipment available to a given member country. He would have been greatly encouraged had Group B pronounced itself on the North-South aspects of the South Commission's report in the context of trade and development. Group B's statement on item 2 said nothing new. Yet again, virtues of the market were being extolled and urged upon the developing countries, while managed trade, monopolization of technology and intervention though a wide scope of non-tariff devices continued. To be credible, words would need to be backed by actions.

85. His delegation had been encouraged, in the context of the South Commission's urging much greater and deeper South-South co-operation in the economic field, to note that at its first meeting, a group of 15 developing countries at the summit level agreed to implement: (i) a financial mechanism for the promotion of trade among South countries; (ii) an Investment, Trade and Technological Data Exchange Centre of the South; and (iii) a business and investment forum.

86. The Summit meeting had also encouraged initiatives in the fields of co-operation in food security, population and family planning, the groundwork for the second round of negotiations on the Global System of Trade Preferences among developing countries, the GSTP, establishment of a Gene Bank among developing countries, external debt, and the capacity to deal with multilateral financial institutions on issues of debt and loans, as well as other initiatives.

87. As to UN-PAAERD and SNPA, he expressed concern that there was a substantial gap between promises and understandings and actual delivery on the part of the industrialized North as a whole. The understandings themselves were a greatly watered-down outcome of negotiations, against the backdrop of clearly perceived substantial needs of the historically marginalized countries, and the contrast between expectations and performance was almost callous. The least developed countries were history's guinea pigs undergoing prescribed forms of structural adjustment, when in fact theirs was a predicament as large as life itself.

88. His delegation reiterated its hope that the concerns of the developing countries would be taken to heart seriously and in time, if an irreversible trend to despair and bitterness and to what might lie beyond it was to be avoided.

89. The representative of Kenya observed that the global recession, worsened by the Gulf crisis, threatened to stall and even to reverse the progress the developing countries had made in the past few years. The increase in Kenya's import bill for crude oil alone would utilize all its annual earnings from tourism. The economic situation in Kenya was thus already acute on account of numerous intractable problems and Kenya's economic reforms would be subject to increasing pressures on account of the crisis. If Kenya was to pursue the reforms with the same vigour and commitment its richer development partners would have to demonstrate a spirit of co-operation similar to that demonstrated in countering the Gulf crisis.

90. Many African countries had been engaged in courageous reforms to restructure their economies. Kenya had been implementing a long-term strategy since 1986 with the theme "Improved Economic Management for Renewed Growth". To enhance the private sector, measures had been taken to improve the investment environment. Commercial banking reforms had created competition and eliminated non-performing loans and the persistence of negative real interest rates. Kenya was committed to pursuing the reforms.

91. The debate on protectionism and structural adjustment should be about the liberalization and expansion of the global market as well as the ways and means of accelerating the development of developing countries' export trade. Efforts such as those of Kenya were a contribution to this process.

92. The rich industrial countries had a special duty to Africa. The level of economic activity in those countries automatically altered the levels of economic activity in Africa. Development and economic adjustment was a shared responsibility. However effective economic policies were in Africa, success would be minimal unless the programmes were adequately supported by the rich industrialized countries.

93. In this context, Kenya welcomed the revival of the Uruguay Round but was disappointed that the rich countries had demonstrated a lack of will to reform at a time when the poor countries had finally mustered the will to do so. Although the Uruguay Round was meant to reaffirm faith in multilateralism, the threat of the establishment of trading blocs appeared to have become the trend. Liberalization of trade had accelerated world economic growth despite the assymetries in the benefits accruing from it.

94. The growing disparity between the developed and developing countries highlighted the disorder, inequity and insecurity in the international trading system. Commitments to halt protectionism had not been honoured by the developed countries. A number of European countries had or were contemplating imposing taxes on coffee and cocoa, products crucial to the development of many small developing countries in Africa. The developed market economy countries should lead the way to stimulate economic growth in the world as in their domestic economies.

95. Kenya recognized that good governance should be cautious and pragmatic in approach. Apart from taking economic structural adjustment by the horns sub-Saharan Africa was being asked to practice pluralism in political organizations. This externally prescribed good governance was advocated despite the glaring turmoil in a number of African countries whose root causes

were ethnicity. Kenya knew what was good for its society. The principle of good governance had been however linked to aid and foreign direct investments without working out a policy.

96. The present African social structures had not been altered for many centuries; the full-blown colonial period had been brief. The black African societies shared three characteristics: authoritarianism; concentration of loyalty within kinship groups; and successions to leadership were not yet conflict free.

97. These factors continued to be the chief determinants of African political systems. The one-party State had arisen as a result of the present social structure and, more so, as a result of super-Power rivalry in the 1960s. The aid donors and the super-Power politics operated on the above stage with a conspicuous lack of success. In Europe, feudalism had been the order of the day until the merchant class and the industrialists had come onto the scene. Pluralism restricted to the élite had then been practised for many generations. In Africa, Governments were trying to compress centuries of history into decades. The multi-party system in Africa was distinctly dissimilar to the typical Western political systems, because it had no social structure to sustain interest groups, that would be the pillar of a genuine multi-party system. Nevertheless, urbanization and industrialization were taking place and the urban market was expanding and reshaping the social and economic structures.

98. The current system of technology transfer to developing countries was extremely unsatisfactory. Developing countries had courageously taken the necessary steps to attract direct foreign investment and transfer of technology, and yet very little transfer of technology was taking place. Unless the international community undertook to co-operate, the prospects for third world technological development would remain elusive.

99. Freedom from the political, economic and psychological constraints that had been the source of misundersanding and disputes in the past was the needed point of departure towards the creation of the new order that would generate collective development as much as collective security.